



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

May 6, 1983

General Counsel

83-03832

MEMORANDUM TO: LEGISLATIVE LIAISON OFFICER

Department of Commerce
Department of Defense
Department of Health and Human Services
Department of Labor
Department of State
Department of Transportation
Central Intelligence Agency
Office of Personnel Management

SUBJECT: Administration's bill to omit FY 1984 cost-of-living adjustments in certain Federal employee benefit programs

Attached for your information is a copy of the Administration's bill to omit FY 1984 cost-of-living adjustments in certain Federal employee benefit programs. The bill was transmitted to the Congress today. We appreciate your assistance during its preparation.

Naomi R. Sweeney

Naomi R. Sweeney
Deputy Assistant Director for
Legislative Reference

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OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAY 6 1983

Honorable George Bush
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

Enclosed for consideration by the Congress is a bill "To omit cost-of-living adjustments in certain Federal retirement and disability programs for a specified period of time, and for other purposes." I urge prompt action by the Congress on this key proposal in the President's fiscal year 1984 Budget.

This draft bill would implement the Budget recommendation that there be a one-year freeze on cost-of-living adjustments (COLAs) in Federal employee retirement and disability programs. It would omit the fiscal year 1984 COLAs authorized under provisions of law governing the civil service, Foreign Service, and Central Intelligence Agency retirement systems; military retired and retainer pay and survivor benefits; and the Federal employee workers' compensation program. Subsequent COLAs under these laws would be based on the computation periods provided for in law; i.e., there would be no "catch-up" of the omitted COLA.

The proposals included in the enclosed draft bill are an important element of the President's plan to reduce projected budget deficits to a level consistent with long-term economic recovery. As part of a general policy of postponing deferrable expenditures temporarily, the Federal Government, as an employer, must take the same step that countless private businesses and workers have been forced to take in order to forestall insolvency: deferral of raises for current and retired workers until financial conditions improve. The COLA freeze proposed in the draft bill would reduce outlays by an estimated \$0.5 billion in fiscal year 1984 and \$6.1 billion, cumulatively, over the fiscal years 1984-1988.

I recommend early and favorable action by the Congress on this feature of the President's fiscal policy to help reduce the growth of Federal spending and enhance the prospects for sustained economic recovery.

Sincerely,

A handwritten signature in dark ink, reading "David A. Stockman". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

David A. Stockman
Director

Enclosure



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OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAY 6 1983

Honorable Thomas P. O'Neill, Jr.
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Enclosed for consideration by the Congress is a bill "To omit cost-of-living adjustments in certain Federal retirement and disability programs for a specified period of time, and for other purposes." I urge prompt action by the Congress on this key proposal in the President's fiscal year 1984 Budget.

This draft bill would implement the Budget recommendation that there be a one-year freeze on cost-of-living adjustments (COLAs) in Federal employee retirement and disability programs. It would omit the fiscal year 1984 COLAs authorized under provisions of law governing the civil service, Foreign Service, and Central Intelligence Agency retirement systems; military retired and retainer pay and survivor benefits; and the Federal employee workers' compensation program. Subsequent COLAs under these laws would be based on the computation periods provided for in law; i.e., there would be no "catch-up" of the omitted COLA.

The proposals included in the enclosed draft bill are an important element of the President's plan to reduce projected budget deficits to a level consistent with long-term economic recovery. As part of a general policy of postponing deferrable expenditures temporarily, the Federal Government, as an employer, must take the same step that countless private businesses and workers have been forced to take in order to forestall insolvency: deferral of raises for current and retired workers until financial conditions improve. The COLA freeze proposed in the draft bill would reduce outlays by an estimated \$0.5 billion in fiscal year 1984 and \$6.1 billion, cumulatively, over the fiscal years 1984-1988.

I recommend early and favorable action by the Congress on this feature of the President's fiscal policy to help reduce the growth of Federal spending and enhance the prospects for sustained economic recovery.

Sincerely,

A handwritten signature in cursive script that reads "David A. Stockman".

David A. Stockman
Director

Enclosure

A BILL

To omit cost-of-living adjustments in certain Federal retirement and disability programs for a specified period of time, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the cost-of-living increase in the Government employee injury compensation benefit or retirement annuity or retired or retainer pay or survivor or disability annuity prescribed by the provisions of law set out in subsection (b) of this section, that would otherwise take effect during the fiscal year ending September 30, 1984, shall not be payable during that year or at any time thereafter.

(b) For the purpose of this section, the term "cost-of-living increase in the Government employee injury compensation benefit or retirement annuity or retired or retainer pay or survivor or disability annuity" means the increase under--

- (1) section 8340 of title 5, United States Code;
- (2) section 8146a of title 5, United States Code;
- (3) section 826 of the Foreign Service Act of 1980;
- (4) section 291 of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees (50 U.S.C. 403 note);
- (5) sections 1401a(b), 1434(e) and 1451(c) of title 10, United States Code, and section 4 of P.L. 92-425 and section 5 of P.L. 96-402;
- (6) section 301 of the Omnibus Budget Reconciliation Act of 1982, P.L. 97-253.

EXPLANATION

Subsection (a) provides that the scheduled fiscal year 1984 cost-of-living (COLA) increases in programs cited in subsection (b) will not take place then or later. Subsection (b) lists the provisions of law under which such increases would otherwise take place under the Civil Service, Central Intelligence Agency, Foreign Service, and military retirement programs, and the Federal Employees Compensation Act (workers' compensation); it also cites the section of the Omnibus Budget Reconciliation Act of 1982 which postponed by one month the scheduled COLA increases for Federal retirement programs in each of the fiscal years 1983 through 1985.